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SUBJECT: JORDAN 2008 INVESTMENT CLIMATE STATEMENT: OPENNESS TO FOREIGN INVESTMENT

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OPENNESS TO FOREIGN INVESTMENT

¶1. Since King Abdullah succeeded to the throne in 1999, Jordan has taken several steps to encourage foreign investment and realize the vision of transforming Jordan into an outward-oriented, market-based economy competitive in the global marketplace. Key reforms have been undertaken in the information technology, pharmaceuticals, tourism, and services sectors. Foreign and domestic investment laws grant specific incentives to industry; agriculture; tourism, including conference facilities; hospitals; transportation; and distribution of water, gas, and oil/oil derivatives using pipelines. The laws also allow the cabinet flexibility in offering investment incentives to other sectors.

¶2. Jordan acceded to the World Trade Organization (WTO) in April ¶2000. In addition, a U.S.-Jordan Free Trade Agreement (FTA) entered into force on December 17, 2001. Investment promotion activities have been consolidated under the Jordan Investment Board (JIB), which provides a "one-stop shop" for investors and is working to pass a new investment promotion law in 2008. Jordan aims to conclude negotiations for a WTO Government Procurement Agreement by early 2008. Jordan's current investment laws treat foreign and local investors equally, with the following exceptions (as per regulation No. 54 of 2000, entitled "Non Jordanian Investments Promotion Regulation"):
-- Under the terms of the U.S.-Jordan FTA, ownership of periodical publications is restricted to Jordanian natural persons or Jordanian juridical entities wholly-owned by Jordanians.
-- Foreign investors may not have whole or partial ownership of investigation and security services, sports clubs (except for health clubs), stone quarrying for construction purposes, customs clearance services, or land transportation of passengers and cargo using trucks, buses or taxis.
-- Under the same agreement, foreign investors are limited to 50 percent ownership in printing/publishing and in aircraft or maritime vessel maintenance and repair services. Also under the FTA, foreign investors are limited to 50 percent ownership in a number of businesses and services. The most up-to-date listing of limitations on investments is available in the FTA Annex 3.1 and may be found at the following internet address:
http://www.ustr.gov/Trade_Agreements/Bilatera l/Jordan /Section_Index.html.

¶3. A minimum capital requirement of JD 50,000 (U.S. $70,000) is set for foreign investors. This requirement does not apply to participation in public shareholding companies. There is no

formal screening or host government selection process for foreign investment. However, investors in large projects find that the informal approval of local and central government officials helps to ensure governmental cooperation in project implementation.

¶4. The law stipulates that expropriation is prohibited unless deemed in the public interest. It provides for fair compensation to the investor in convertible currency.

¶5. The government has engaged in an extensive privatization program since 1999, with significant achievements in 2007 in electricity generation and aviation. Following successful privatizations in the telecommunications sector, government sentiment now strongly supports privatization. The number and size of future privatization projects, however, is expected to shrink as most government assets have already been privatized. The majority of future projects are expected to be public-private partnerships rather than pure privatization deals.

¶6. In October 2007, the Jordanian Government completed a significant privatization deal in the energy sector by selling 51 percent of the Central Electricity Generating Company (CEGCO) to the newly formed Enara Company, and transferring 9 percent of its shares to the Social Security Corporation. The government plans to sell its remaining 55 percent of shares in the Irbid District Electricity Company (IDECO), and 100 percent of the Electricity Distribution Company (EDCO). Jordan has also announced its intent to begin privatizing the As-Samra electrical power plant.

¶7. Throughout 2007, the Government of Jordan made considerable progress in privatizing its aviation sector. The national carrier Royal Jordanian's initial public offering (IPO) began in December 2007. 74 percent of the shares were available for

sale, with the government keeping 26 percent. The government-owned Queen Noor Aviation College was also privatized and was sold to the private Royal Jordanian Air Academy. Concurrent with these privatizations, the role of the regulatory body, the Jordan Civil Aviation Commission, is evolving. In the spring of 2007, the GOJ also accepted a build-operate-transfer (BOT) bid for the expansion and management of Queen Alia International Airport.

¶8. The Government of Jordan also intends to privatize the Jordan Silos and Supply General Company in 2008. In addition to completed privatization projects, deregulation is also occurring in the energy sector. The 50-year concession to the Jordan Petroleum Refinery Company will end in March 2008, and the government has drafted a new energy law to open up the hydrocarbon sector for local and foreign investors. This restructuring will involve unbundling the distribution and storage facilities.

¶9. With respect to ownership and participation in the major economic sectors in Jordan, there is no apparent discrimination against foreign participation. In fact, many Jordanian businesses seek foreign partners, which are perceived as the key to increased competitiveness and easier entry into international markets. Jordan's efforts have combined to make Jordan's investment climate more welcoming, but some large U.S. investors have reported "hidden costs" when investing in Jordan due to bureaucracy, red tape, vague regulations and conflicting jurisdictions. In the World Bank's (WB) 2008 Doing Business Report, Jordan was ranked 80th out of 178 countries for the regulatory ease of doing business. Jordan received its best rankings for taxation and employment policies. Jordan received its worst rankings for enforcing contracts and starting a business, although the WB acknowledged reform in this area. Jordan ranked 8th out of 141 countries in inward investment performance in 2006, according to the 2007 World Investment Report issued by the United Nations Conference on Trade and Development (UNCTAD). As they would in other countries, investors should execute due diligence in exploring investment opportunities and concluding purchases.

CONVERSION AND TRANSFER POLICIES

¶10. Jordan's liberal foreign exchange law entitles foreign investors to remit abroad, in a fully convertible foreign currency, foreign capital invested, including all returns, profits, and proceeds arising from the liquidation of investment projects. Non-Jordanian administrative and technical employees are permitted to transfer their salaries and compensation abroad.

¶11. The Jordanian Dinar (JD) is fully convertible for all commercial and capital transactions. The JD has been pegged to the U.S. dollar at an exchange rate of approximately 1 JD to US $1.41 since 1995, and the Central Bank of Jordan (CBJ) is expected to continue this policy. NOTE: This peg may benefit American exporters able to serve a small market. END NOTE.

¶12. Licensed money-exchangers are supervised by the CBJ, the banking system?s regulatory authority, but are free to set their own exchange rates depending on market conditions. Unlike banks, they do not pay the CBJ commissions for exchange transactions, giving them a competitive edge over banks.

¶13. Other foreign exchange regulations include:
-- Non-residents are allowed to open bank accounts in foreign currencies. These accounts are exempted from all transfer-related commission fees charged by the CBJ.
-- Banks are permitted to purchase an unlimited amount of foreign currency from their clients in exchange for JD on a forward basis. Banks are permitted to engage in reverse operations involving the selling of foreign currency in exchange for JD on a forward deal basis for the purpose of covering the value of imports.
-- There are no restrictions on the amount of foreign currency that residents may hold in bank accounts, and there are no ceilings on the amount residents are permitted to transfer abroad.
-- Banks do not require prior CBJ approval for the transfer of funds, including investment-related transfers, although stricter measures are now in place to monitor bank wire transfers to boost Jordan's ability to participate in the global fight against illicit financial flows.

EXPROPRIATION AND COMPENSATION

¶14. There are no known cases where the government has expropriated the private property of an investor.

DISPUTE SETTLEMENT

¶15. Under Jordanian law, foreign investors may seek third party arbitration or an internationally recognized settlement of disputes. The Jordanian government recognizes decisions issued by the International Center for the Settlement of Investment Disputes (ICSID) of which it is a member. Jordan is also a member of the New York Convention of 1958 on the recognition and enforcement of foreign arbitral awards. In cases where the government (or its agencies) is a party to the dispute, it generally prefers settlement in local courts if an out-of-court settlement is not forthcoming. Jordan abides by WTO dispute settlement mechanisms. Dispute settlement mechanisms under the FTA are consistent with WTO commitments.

¶16. Article IX of the Bilateral Investment Treaty (BIT) establishes procedures for dispute settlement.

¶17. A dispute between a U.S. investor and the Jordanian government that was brought before an ICSID tribunal in 2002 was settled in May 2004. Another U.S. investor began to file arbitration proceedings against the Jordanian government in ICSID in 2007. In another instance, a foreign company investing in a joint venture with a state-owned Jordanian corporation found that the management contract for that Jordanian SOE partner had been given to a rival without prior consultation. With substantial support from the Embassy, the dispute was resolved to the satisfaction of the foreign investor.

Jordan's Legal System:

¶18. In the legislative process, draft laws are prepared by various ministries, then submitted to the cabinet and subsequently presented to the lower house of parliament for consideration. Once passed by the lower house, draft laws must be approved by the Senate. All laws require royal assent and must be published in the Official Gazette before they come into force.

¶19. According to the constitution, the judiciary is independent of other branches of the government. In some cases, it is susceptible to political pressure and interference by the executive branch.

¶20. The constitution classifies the judiciary into three categories: religious courts, special courts (e.g., Military Court, Customs Court, Income Tax Court), and regular courts. Verdicts rendered by the Jordanian judiciary are based on decisions made by a judge or a panel of judges.

¶21. General legal provisions are incorporated within the Civil Code, unless a separate, more specialized law governs the nature of the specific relationship. Commercial activities are governed by the Commercial Code. Business contracts, such as commercial agency and commission agency contracts, are subject to the code's provisions. Financial papers such as checks and promissory notes are also dealt with under the Commercial Code.

¶22. Various provisions in the Commercial Code, the Civil Code, and the Companies Law govern bankruptcy and insolvency. A temporary Bankruptcy Law came into force in 2002. NOTE: Temporary laws in Jordan are constitutionally permitted laws passed when parliament is not in session. They remain in force until parliament convenes and takes further action. END NOTE.

PERFORMANCE REQUIREMENTS/INCENTIVES

¶23. Following Jordan's accession to the WTO, the Trade-Related Investment Measures (TRIMS) agreement came into force. Investment and commercial laws do not contain any trade-restrictive investment measures and have generally been in compliance with TRIMS.

¶24. Investment incentives take the form of income tax and custom-duties exemptions, which are granted to both Jordanian and foreign investors.

¶25. The country is divided into three development areas: Zones A, B, and C. Investments in Zone C, the least developed areas of Jordan, receive the highest level of exemptions. All agricultural, maritime transport, and railway investments are classified as Zone C, irrespective of location. Hotel and tourism-related projects set up along the Dead Sea coastal area, leisure and recreational compounds, and convention and exhibition centers receive Zone A designations. Qualifying industrial zones (QIZs) are zoned according to their geographical location, unless they apply for an exemption. The three-zone classification scheme does not apply to nature reserves and environmental protection areas, which are granted special consideration.

¶26. Specifically, the Investment Promotion Law allows for:
-- Exemptions from income and social services taxes of up to ten years for projects approved by the Investment Promotion Committee (which includes senior officials from the Ministry of Industry and Trade, Income Tax Department, Customs Department, the private sector, and the Director General of the Jordan Investment Board), in accordance with the designated zone scheme:
-- 25 percent tax exemption for Zone A
-- 50 percent tax exemption for Zone B
-- 75 percent tax exemption for Zone C

¶27. An additional year of these tax exemptions is granted to projects each time they undergo expansion, modernization, or development resulting in a 25 percent increase in their production capacity for a maximum of four years.

-- Capital goods are exempt from duties and taxes if delivered within three years from the date of the investment promotion committee's approval. The committee may extend the three-year period, if necessary.
-- Imported spare parts related to a specific project are exempt from duties and taxes, provided that their value does not exceed 15 percent of the value of fixed assets requiring spare parts. They should be imported within ten years from a project's commencement date.
-- Capital goods used for expansion and modernization of a project are exempt from duties and taxes, provided they result in at least a 25 percent increase in production capacity.
-- Hotel and hospital projects receive exemptions from duties and taxes on furniture and supply purchases, which are required for modernization and renewal once every seven years.
-- Increases in the value of imported capital goods are exempt from duties and taxes if the increases result from higher freight charges or changes in the exchange rate.
--In addition to the Investment Promotion Law, additional exemptions are granted to investments within industrial estates designated as Special Industrial Zones.
-- Industrial projects are granted exemptions on income and social services taxes for a two-year period. Established industrial facilities that relocate to an industrial estate also receive this benefit.
-- Industrial projects are granted property tax exemptions throughout their lifetime.
-- Industrial projects are granted partial or full exemptions from most municipality and planning fees.

¶28. To pQote exports, all exporters are granted the following incentives:
-- Net profits generated from most export revenues are fully exempt from income tax. Exceptions include fertilizer, phosphate, and potash exports, in addition to exports governed by specific trade protocols and foreign debt repayment schemes. Under the WTO, the exemption is extended until the end of 2015.
-- Approximately 95 percent of foreign inputs used in the production of exports are exempt from custom duties and all additional import fees on a drawback basis.

¶29. The DAMAN program - a product conformity standards measure that had been enforced through pre-shipment inspections - ended in September 2007.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

¶30. In general, the laws on investment and property ownership permit domestic and foreign entities to establish and own businesses and engage in remunerative activities. However, activities relevant to military and national security are subject to different provisions and procedures.

¶31. Foreign companies may open regional and branch offices; branch offices may carry out full business activities, while regional offices may serve as liaisons between head offices and Jordanian or regional clients. The Ministry of Industry and Trade manages the government's policy on setting up regional and branch offices.

¶32. No foreign firm may import goods without appointing an agent registered in Jordan; the agent may be a branch office or a wholly owned subsidiary of the foreign firm, notwithstanding the limitations on foreign ownership in certain sectors. The agent's connection to the foreign company must be direct, without a sub-agent or intermediary. A Commercial Agents and Intermediaries Law governs the contract between foreign firms and commercial agents. It clearly delineates the distinction between commercial agency and distribution contracts relationships. Private foreign entities, whether licensed under sole foreign ownership or as a joint venture, compete on an equal basis with local companies.

¶33. Foreign nationals and firms are permitted to own or lease property in Jordan for investment purposes and personal use, provided that their home country permits reciprocal property ownership rights for Jordanians. Property intended for

investment should be developed within five years from the date of approval. Depending on the size and location of the property, the Lands and Surveys Department, its Director General, the Minister of Finance, or the Cabinet are the authorities that approve foreign ownership of land and property. Foreign companies holding a majority share in a Jordanian company, as well as wholly-owned subsidiaries, automatically obtain national treatment with respect to ownership of land where the company's business objectives require (e.g., agriculture), or allow for, ownership of land or real estate.

PROTECTION OF PROPERTY RIGHTS

¶34. Interest in property (moveable and real) is recognized, enforced and recorded through reliable legal processes and registries. The legal system facilitates and protects the acquisition and disposition of all property rights.

¶35. Jordan has passed several new laws to comply with the FTA and meet international commitments in protection of intellectual property rights (IPR). Laws consistent with "Trade Related Aspects of Intellectual Property Rights" (TRIPS) now protect trade secrets, plant varieties, and semiconductor chip designs. The law requires registration of copyrights, patents, and trademarks. Copyrights must be registered at the National Library, part of the Ministry of Culture. Patents must be registered with the Registrar of Patents and Trademarks at the Ministry of Industry and Trade. Jordan has signed the Patent Cooperation Treaty and the protocol relating to the Madrid Agreement Concerning the Registration of Marks, and amended patent and trademark laws in 2007 to enable pending ratification of the agreements. Jordan's pharmaceutical industry generally abides by the new TRIPS-consistent Patent Law. Jordan acceded to the World Intellectual Property Organization (WIPO) treaties on copyrights (WCT) and performances and phonographs (WPPT), and has been developing new regulations to the national copyright law to meet international standards. Jordanian firms now seek joint ventures and licensing agreements with multinational partners.

¶36. Jordan's record on IPR enforcement has improved, but more effective enforcement mechanisms and legal procedures are still needed. As a result, the government's record on IPR protection remains mixed. A sizeable portion of videos and software sold in the marketplace continues to be pirated. Enforcement action against audio/video and software piracy is growing in frequency and improving in its targeting capability, resulting in the first jail sentence in 2007 for software piracy in Jordan. Government committees are examining means to provide more comprehensive IPR protections, including more stringent enforcement of existing laws and creation of an umbrella IPR agency to coordinate government policy and enforcement efforts.

TRANSPARENCY OF THE REGULATORY SYSTEM

¶37. The government is gradually implementing policies to improve competition and foster transparency. These reforms aim to change an existing system that can be influenced greatly by family affiliations and business ties. Although in many instances bureaucratic procedures have been streamlined, red tape and opaque procedures still present problems for foreign and domestic investors. The arbitrary application of customs, tax, labor, health, and other laws or regulations, particularly at the local government level, have impeded investment.

¶38. Jordan?s 2004 Competition Law (similar to the Antitrust Law in the U.S.) aims to improve the Jordanian economic environment

and attract foreign investment by providing incentives for enterprises to improve their competitiveness, protect small and medium enterprises from restrictive anticompetitive practices, and provide consumers with high quality products at competitive prices. The Competition Directorate at the Ministry of Industry and Trade monitors market performance, conducts research, examines complaints, reports violators to the judicial system, and investigates cases referred by the courts. The Competition Directorate has settled 127 cases since 2004, and referred four cases to the courts in 2007.

¶39. In 2007, the government continued its strategy to promote e-government. The government has pledged to make its services, regulations, and procurement procedures more accessible and transparent via e-government. Implementation to date has been slow, but programs to register businesses and to view tax records and pending legislation online are now available.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

¶40. The three key capital market institutions are the regulator, Jordan Securities Commission (JSC); the exchange, the Amman Stock Exchange (ASE); and the custodian for all transaction contracts, clearings and settlement, the Securities Depository Center (SDC). The government passed the most recent Securities Law in 2002, which brought the law more in line with international best practices. The ASE suffers from intermittent liquidity problems, which have meant that the bourse remains prone to speculative movements. The ASE's market capitalization grew rapidly between 2003 and 2005, experienced a correction in 2006 but grew over one-third in 2007.

Key Market Indicators (USD)

| | 2007 | 2006 |
|---|---|---|
| Market Capitalization | $40.8 billion | $30.3 billion |
| Market Capitalization/GDP | 289% | 234% |
| Index | 7519 points | 5518 points |
| Number of shares traded | 4.5 billion | 4.1 billion |
| Trading Volume | $17.22 billion | $19.8 billion |
| Number of brokerage firms | 65 | 61 |
| Number of companies on ASE | 245 | 226 |
| % of Shares owned by | | |
| - Jordanians | 52.8% | 54.9% |
| - Non-Jordanian Arabs | 35.6% | 34.3% |
| - Other Non-Jordanians | 11.6% | 10.7% |

Source: Amman Stock Exchange

¶41. The CBJ, on behalf of the Ministry of Finance, conducts regular treasury bill auctions of differing maturities. A tap series of one-year treasury bills is held monthly and a tap series of three- and five-year treasury bonds is held bimonthly. The government issues development bonds, equivalent to treasury bonds, as necessary. All government securities are listed on the ASE, and ownership is registered at CBJ in a book entry format. New issues for the first 10 months of 2007 reached $2.1 billion. The CBJ has introduced a primary dealer plan designed to increase liquidity in the secondary market, though the program has to this point been unsuccessful in achieving this goal. A Public Debt Law allows for an increase in the volume of bond and bill issuance by the treasury. Commercial banks hold securities for their clients in a sub-account format. Foreign investors are welcome to participate in auctions and to purchase government securities through banks.

¶42. The corporate bond market remains underdeveloped, and continues to be overshadowed by traditional direct lending. One reason is the absence of proper mechanisms for corporate lending. Increasingly, however, some banks have started introducing new products and corporate bond issues. New corporate bond issues for the first 10 months of 2007 totaled $122.8, compared to $79 million in 2006.

¶43. Jordanian banks have recovered from an economic slow-down of the late-1990s, and had excellent years in 2005, 2006, and 2007 with high profits and low default rates. The Arab Bank and the Housing Bank are the two largest banks in Jordan, with total market capitalization in December 2007 of $10.7 billion and $2.2 billion, respectively. The difference between their values owes to the vast difference in their scope of operations; the Arab Bank has a worldwide presence, while the Housing Bank?s prime focus is the local market. Jordan no longer distinguishes between "investment banks" and "commercial banks." Jordan has commercial banks, Islamic banks, and foreign bank branches.

¶44. Banks offer loans, discounted bills, and overdraft facilities, and all are permitted to extend overdraft facilities in Jordanian Dinar. New capital instruments such as commercial

paper and convertible bonds are under consideration. In addition to long-term instruments, securitization, short-selling, and treasury stocks are being introduced in some banks. The CBJ permits banks to extend loans and credit facilities in foreign currency but only for exporting purposes. In such cases, it requires debt repayment to be in the denominated foreign currency. A number of banks have established mutual funds.

¶45. A banking law, which aims at improving the industry?s efficiency, came into force in 2000. The law protects depositors' interests, diminishes money market risk, guards against the concentration of lending, and includes articles on electronic banking practices and money laundering. In addition, the CBJ set up a separate and independent Deposit Insurance Corporation in late 2000 that insures deposits of up to JD 10,000 (US $14,000). The corporation also acts as the liquidator of banks as directed by the CBJ. The CBJ established a credit bureau for bounced checks in 2001. The bureau requires banks to report on a timely basis the names of account holders with bounced checks. Following a third report of a bounced check, the CBJ circulates the names of the account holders to all banks with instructions to withhold checkbooks and any other facilities for a period of time.

¶46. The CBJ issued a number of circulars in 2003-2005 to implement money-laundering regulations that are consistent with the recommendations of the Organization of Economic Cooperation and Development's (OECD) Financial Action Task Force. Jordan's parliament passed an anti-money laundering bill that became law in July 2007. The law criminalizes money laundering, and specifies that any money or proceeds gained from any felony offense or crimes stated in international agreements to which Jordan is a party are subject to the provisions of the law. The law is also the legal basis for the creation of the Anti-Money Laundering Unit, Jordan's Financial Intelligence Unit. Jordan has no record of major money laundering incidents.

¶47. There are a number of internationally recognized accounting and auditing firms in Jordan. The government's accounting and auditing regulations are consistent with international standards and are internationally recognized.

POLITICAL VIOLENCE

¶48. Some incidents of political violence and terrorist activities have occurred in Jordan, including the shooting to death of a tourist in downtown Amman in September 2006, the November 2005 hotel bombings in Amman, and the August 2005 rocket attack on a U.S. Navy ship in Aqaba. The hotel bombings targeted foreign business interests specific to the hotel industry. Other industries with foreign business interests have remained unaffected by political violence. While Jordan enjoys political stability, events in the region, particularly in the West Bank and Gaza or Iraq, can trigger demonstrations of anti-U.S. hostility. The assassination of American diplomat Larry Foley outside his west Amman residence on October 28, 2002 was attributed to former Al Qaida in Iraq leader Abu Mus'ab Al-Zarqawi, who was killed in Iraq in June 2006.

¶49. The Government of Jordan is proactive in maintaining public security, containing demonstrations and preventing terrorist attacks, and has increased its efforts since the November 2005 hotel bombings. The potential for politically motivated violence, however, remains. Visitors should consult current State Department public announcements.

CORRUPTION

¶50. Corruption is a crime in Jordan. In September 2006, parliament approved a financial disclosure law requiring public office holders and specified government officials to declare their assets. Parliament also enacted an Anti-Corruption Law in 2006 that created a commission, reporting to the Prime Minister, to investigate allegations of corruption. Jordan's law defines corruption as any act that violates official duties, and all acts related to favoritism and nepotism that could deprive others from their legitimate rights, as well as economic crimes

and misuse of power. The General Intelligence Directorate (GID) also has an anti-corruption department that is responsible for combating bribery, extortion, and other similar crimes. Attempts to establish similar, transparent entities outside the

security service so far have not been successful.

¶51. Influence peddling and a lack of transparency have, however, been alleged in government procurement and dispute settlement. "Wasta," the use of family, business, and other personal connections to advance personal business interests, at the expense of others, is endemic.

BILATERAL TRADE/INVESTMENT AGREEMENTS

¶52. In 1996, the U.S. Congress established the "Qualifying Industrial Zone" (QIZ) initiative to support the Middle East peace process. Under this agreement, goods produced in the thirteen designated QIZs in Jordan can be imported into the United States tariff- and quota-free if 35 percent of the product's content comes from the QIZ, Israel, and the West Bank/Gaza. Of that 35 percent, a minimum 11.7 percent must be added in the QIZ, eight percent in Israel, and 15.3 percent in either a Jordanian QIZ, Israel, or the West Bank/Gaza. This makes investment in a QIZ particularly attractive to industries whose products are assessed with high tariffs when they are imported into the U.S. As of December 2007, the bulk of QIZ exports have been garments. Since 1999, the QIZs have attracted over $450 million in capital investments, generated about $4 billion in exports to the U.S., and created over 55,000 new jobs, of which about 15,000 are held by Jordanians and 57% by Jordanian women.

¶53. The U.S.-Jordan FTA, which entered into force in 2001, does not supersede or eliminate the QIZ initiative. Whereas the QIZ agreement grants immediate duty- and quota-free access to the U.S. for goods produced in the QIZs that meet certain rules of origin, the FTA mandates a gradual phasing out of import duties and other trade barriers by 2010. FTA rules of origin require 35 percent Jordanian content. The agreement incorporates labor, environmental, and intellectual property rights provisions.

¶54. A Bilateral Investment Treaty between Jordan and the United States entered into force in 2003. The agreement provides reciprocal protection of Jordanian and U.S. individual and corporate investments.

¶55. While the U.S. remains Jordan's top trading partner, Jordan maintains an active trade relationship with neighboring countries, and has been actively pursuing enhanced trade arrangements globally. Jordan is a member of the Greater Arab Free Trade Area (GAFTA), which has been in force since 1998. The GAFTA reached full trade liberalization of goods in January 2005 through full exemption of customs duties and charges for all 17 Arab members, with the exception of gradual reductions for Sudan and Yemen which are expected to benefit from full exemption by the end of 2010. Jordan has also signed several trade preference agreements and bilateral free trade agreements with Arab countries, including Egypt, Syria, Morocco, Tunisia, the UAE, Algeria, Lebanon, the Palestinian Authority, Kuwait, Sudan, and Bahrain. The bilateral agreements are generally applied in parallel to the GAFTA, with the GAFTA often providing more trade preferences than most of the bilateral trade agreements (see www.mit.gov.jo for more information).

¶56. An economic association agreement between Jordan and the European Union (EU) entered into force in 2002 to establish free trade over a twelve-year period. This agreement calls for the free movement of capital, as well as cooperation on development and political issues. Jordan also signed a Free Trade Area Agreement in 2001 with the European Free Trade Association (EFTA) states (Iceland, Liechtenstein, Norway and Switzerland), which aims for complete trade liberalization by 2014.

¶57. In 2004, Jordan signed a Free Trade Agreement with Singapore. In addition to enhancing bilateral trade ties, the agreement aimed to create new export opportunities for Jordanian products worldwide through the possibility of diagonal

accumulation of origin with countries that have concluded free trade agreements with both Jordan and Singapore. In the same year, Jordan completed the Agadir trade agreement with Egypt, Morocco, and Tunisia, and upgraded its trade agreement with Israel to take advantage of accumulation of content provisions in the EU's Pan-Euro-Mediterranean trade rules of origin. Jordan is also considering free trade agreements with several other nations, including Turkey and Canada.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

¶58. Investments in Jordan are eligible for Overseas Private

Investment Corporation (OPIC) insurance and private financing.

¶59. Jordan is a member of the Multilateral Investment Guarantee Agency (MIGA), a World Bank agency, which guarantees investment against non-commercial risks such as civil war, nationalization, policy changes, etc. The program covers investments in Jordan irrespective of the investor's nationality, in addition to covering Jordanian investments abroad.

¶60. Several European countries have official debt-for-equity swap programs that are open to investors of all nationalities.

LABOR

¶61. The rate of population growth (births minus deaths and factoring in migration) is about 2.5 percent a year, based on the most recent census in 2004. The 2007 population is estimated by the Department of Statistics at 5.7 million. 50% of the population is under the age of 20. In general, the labor force is well educated. Literacy rates approach 95.2 percent for men and 86.7 percent for women. Jordan has a labor force of about 1.5 million and an unemployment rate that hovers between approximately 13 and 15 percent. In November 2007, the Department of Statistics reported a 13.1 percent unemployment rate.

¶62. There are an estimated 313,000 foreign laborers in Jordan. With the exception of the approximate 36,600 that work in the QIZs as textile workers, most foreign workers work primarily in unskilled sectors, such as construction, agriculture, and domestic service. There are also unofficial indicators which suggest tens of thousands of unregistered foreign workers. The Ministry of Labor regulates foreign worker licensing, licensing fees, prohibited sectors, and employer liability. Among its responsibilities, the ministry approves the hiring of professional foreign workers by private businesses. Non-citizens are not permitted by the current law to join unions, though the Ministry of Industry and Trade maintains that such workers enjoy any benefits and protections that unions obtain. A new draft labor law includes provisions to allow foreigners to join established unions.

¶63. Labor unions serve primarily as intermediaries between workers and the Ministry of Labor, and may engage in collective bargaining on behalf of workers. Currently, there are 17 recognized unions in Jordan, all members of the General Federation of Jordanian Trade Unions. Estimates put union membership at 10 percent of the labor force. In addition to the 17 unions, there are numerous professional associations active in Jordan, many of which have mandatory membership. While these associations occasionally take on characteristics of traditional unions, they are primarily political bodies. According to official figures, about 30 percent of the total labor force, including government workers, belongs to either a union or a professional association.

¶64. Article 28 of the Labor Law specifies the conditions under which an employer can discharge a worker without notice. Article 31 allows employers to lay off employees if economic or technical circumstances necessitate reorganization. The law does not require employers to include retirement plans in their employment package. However, if the employer agreed to provide retirement benefits when the worker was contracted, the employer must fulfill his/her commitment. The Social Security Law stipulates that if the employer has more than five employees,

they must be enrolled in the national social security system. The Labor Law also addresses worker compensation and outlines compensatory categories for work-related injuries. Article 67 provides unpaid maternity leave for a maximum of one year for mothers working in firms employing 10 or more workers, and Article 70 requires full pay for 10 weeks of maternity leave. The law provides for 14 calendar days of annual leave for employees during the first five years with the employer, and 21 calendar days after five years of successive service. With the exception of foreigners not being allowed to join unions and the restriction on forming new unions outside of the General Federation of Jordanian Trade Union, the current law places Jordan in compliance with international and Arab labor agreements.

¶65. Since 2006, the Government of Jordan has been reforming its labor inspection system and drafted a new labor law that will more clearly address issues such as compensation for overtime, salary deductions allowed for housing and meals, and punishment for illegal labor practices by employers. Ministry of Labor

(MoL) inspections have recently identified problems at some QIZ factories regarding delayed payment of wages, length of overtime and physical abuse of workers. Under MoL's more rigorous inspection regime, allegations of forced labor in 2007 decreased substantially.

FOREIGN TRADE ZONES/FREE TRADE ZONES

¶66. As part of Jordan's efforts to foster economic development and enhance the investment climate, the government has created geographically demarcated, policy-favored commercial zones, including industrial estates, free zones, and special economic zones. The goal is to encourage "clustering" among related firms within an industry and linkages to other industries. Some of these zones overlap or have multiple designations.

¶67. The semi-governmental Jordan Industrial Estates Corporation (JIEC) currently owns five public industrial estates in Irbid, Karak, Aqaba, Amman, and Ma'an. There are also several privately-run industrial parks in Jordan, including al-Mushatta, al-Tajamouat, al-Dulayl, Cyber City, al-Qastal, Jordan Gateway, and al-Hallabat. These estates provide basic infrastructure networks for a wide variety of manufacturing activities, reducing the cost of utilities and providing cost-effective land and factory buildings. Investors in the estates also receive various exemptions, including a two-year exemption on income and social services taxes, total exemptions from building and land taxes, and exemptions or reductions on most municipalities? fees.

¶68. Jordan also has public "free zones" (FZs) in Zarka, Sahab, Karak, Karama, and Queen Alia Airport that are run by the publicly-owned Free Zone Corporation (FZC). Over 30 private free zones have also been designated, which are administered by private companies under the supervision of the FZC. Considered outside the Jordan Customs jurisdiction, the free zones provide a duty- and tax-free environment designed for the storage of goods transiting Jordan.

¶69. Both Jordanian and foreign investors are permitted to invest with few restrictions in trade, services, and industrial projects in free zones. Industrial projects must fulfill one of the following conditions:
-- New industries which depend on advanced technology;
-- Industries requiring raw material and/or locally manufactured parts that are locally available;
-- Industries that complement domestic industries;
-- Industries that enhance labor skills and promote technical know-how;
-- Industries providing consumer goods and that contribute to reducing market dependency on imported goods.

¶70. The following incentives are granted to investors in the designated free zones:
-- Profits are exempt from income and social services taxes for a period of twelve years, with the exception of profits generated from storage services that involve goods released to

the domestic market.
-- Salaries and allowances payable to non-Jordanian employees are exempt from income and social services taxes.
-- Goods imported to and/or exported from free zones are exempt from import taxes and customs duties, with the exception of goods released to the domestic market.
-- Industrial goods manufactured in free zones enjoy partial customs duties exemption once released to the domestic market, depending on the proportion of the value of local inputs and locally incurred production costs.
-- Construction projects are exempt from licensing fees and urban property taxes.
-- Free transfer of capital invested in free zones, including profits.

¶71. Jordan has established four Special Economic Zones which all aim to alleviate poverty and create jobs in impoverished areas of Jordan through development of industrial centers supported by logistics, transport, utilities, and information technology services. In May 2001, the government converted the Aqaba port and surrounding area into the Aqaba Special Economic Zone (ASEZ) with streamlined bureaucracy, special tax exemptions, a flat five percent income tax, and facilitated customs handling. ASEZ has attracted over U.S. $2 billion in foreign direct investment in recent years, mainly in hotel and property development. In November 2006, Jordan created the King Hussein Bin Talal Economic Zone in the city of Mafraq. Plans for the Mafraq zone aim to create 29,000 jobs by 2025 through a focus on industrial activities, supported by logistics and transit services. The Irbid Economic Zone was launched in May 2007 as a healthcare, education, and information technology free zone in the northern city of Irbid. Its proximity to the campus of the Jordan University for Science and Technology (JUST) encourages partnerships between the firms in the zone and the university students. In September 2007, King Abdullah launched the fourth Economic Development Zone in Ma'an, a governorate 210 kilometers south of the capital, which will include infrastructure projects estimated at U.S. $200 million.

FOREIGN DIRECT INVESTMENT STATISTICS

¶72. Jordan does not maintain official detailed statistics of FDI. Aggregate inflows tracked by the Central Bank give an indication of the overall volume, while registered capital and projects that benefit from the Investment Promotion Law give an indication of the break down of FDI by source and market segment.

¶73. The Jordan Investment Board approved foreign investment projects worth about $390 million, $1.2 billion and $1.48 billion for the years 2005, 2006 and 2007, respectively.

¶74. Foreign Direct Investment Inflows

| Period | USD Million |
|---|---|
| 2007 1-3Q | 1,021 |
| 2006 1-3Q | 2,806 |
| 2005 1-3Q | 1,917 |
| 2006 | 3,224 |
| 2005 | 1,777 |

Source: Central Bank of Jordan, Balance of Payments

¶75. New Projects under the Investment Promotion Law by Geographical Area (in USD Million)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Jordan | 1,652 | 1,393 | 677 |
| Arab | 764 | 1,091 | 290 |
| U.S. and Canada | 126 | 30 | 16 |
| Europe | 56 | 13 | 55 |
| Other | 534 | 58 | 19 |
| Total | 3,132 | 2,585 | 1,056 |

Source: Jordan Investment Board

¶76. New Registered Capital by Industry (in USD Million)

| Industry | 2007 | 2006 | 2005 |
|---|---|---|---|
| Manufacturing | 44 | 144 | 81 |
| Percent Foreign | 62% | 35% | 43% |
| Trade | 124 | 109 | 129 |
| Percent Foreign | 35% | 47% | 36% |
| Agriculture | 27 | 110 | 9 |
| Percent Foreign | 60% | 49% | 67% |
| Construction | 167 | 24 | 35 |
| Percent Foreign | 2% | 23% | 19% |
| Services | 184 | 291 | 822 |
| Percent Foreign | 30% | 34% | 43% |
| Total | 545 | 678 | 1,075 |
| Percent Foreign | 33% | 39% | 42% |

Source: Companies Controller Directorate at the Ministry of Industry and Trade

¶77. Registered Capital Stock at Year-End by Country (in USD Million)

| Country | 2007 | 2006 | 2005 |
|---|---|---|---|
| Iraq | 667 | 569 | 470 |
| Kuwait | 583 | 566 | 461 |
| Denmark | 470 | 470 | 399 |
| United Arab Emirates | 300 | 279 | 273 |
| Saudi Arabia | 283 | 263 | 253 |
| Egypt | 214 | 199 | 176 |
| Belgium | 202 | 202 | 201 |
| Bahrain | 160 | 131 | 120 |
| United Kingdom | 149 | 145 | 136 |
| Lebanon | 93 | 86 | 82 |
| Syria | 92 | 83 | 73 |
| Netherlands | 89 | 88 | 88 |
| United States | 84 | 78 | 72 |
| Switzerland | 55 | 55 | 52 |
| Palestinian Authority | 44 | 41 | 40 |
| India | 40 | 40 | 38 |
| Libya | 39 | 39 | 38 |
| Canada | 33 | 31 | 27 |
| China | 32 | 28 | 24 |

Source: Companies Controller Directorate at the Ministry of Industry and Trade

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